

February 14, 2025

Q3FY25 Result Update

Change in Estimates | Target | Reco

Change in Estimates

	Current		Previous	
	FY26E	FY27E	FY26E	FY27E
Rating	ACCUMULATE		BUY	
Target Price	1,890		2,511	
Sales (Rs. m)	31,658	35,982	34,320	40,196
% Chng.	(7.8)	(10.5)		
EBITDA (Rs. m)	5,999	7,045	6,881	8,220
% Chng.	(12.8)	(14.3)		
EPS (Rs.)	39.4	46.6	45.6	54.7
% Chng.	(13.6)	(14.8)		

Key Financials - Consolidated

Y/e Mar	FY24	FY25E	FY26E	FY27E
Sales (Rs. m)	27,049	28,449	31,658	35,982
EBITDA (Rs. m)	5,376	5,243	5,999	7,045
Margin (%)	19.9	18.4	19.0	19.6
PAT (Rs. m)	4,020	3,771	4,365	5,161
EPS (Rs.)	36.3	34.1	39.4	46.6
Gr. (%)	11.1	(6.2)	15.7	18.2
DPS (Rs.)	17.0	17.0	19.7	23.3
Yield (%)	1.0	1.0	1.2	1.4
RoE (%)	20.8	17.5	18.4	19.5
RoCE (%)	23.4	19.4	20.5	22.0
EV/Sales (x)	6.5	6.2	5.5	4.8
EV/EBITDA (x)	32.9	33.6	29.2	24.8
PE (x)	45.5	48.5	41.9	35.4
P/BV (x)	8.9	8.1	7.3	6.6

Key Data

GRNN.BO | GWN IN

52-W High / Low	Rs.2,960 / Rs.1,638
Sensex / Nifty	76,139 / 23,031
Market Cap	Rs.183bn/ \$ 2,104m
Shares Outstanding	111m
3M Avg. Daily Value	Rs.107.84m

Shareholding Pattern (%)

Promoter's	58.04
Foreign	6.97
Domestic Institution	18.07
Public & Others	16.92
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	(8.4)	(31.2)	(24.9)
Relative	(8.2)	(28.7)	(29.5)

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Soft quarter; export recovery in focus

Quick Pointers:

- Abrasives/Ceramics & Plastics segment revenue grew 4.2%/12.4% YoY while Digital Services revenue declined 4.3% YoY in Q3FY25.
- Abrasives/ Ceramics & Plastics/ Digital Services EBIT margin declined by 145/390/148bps YoY to 11.8%/15.8%/25.8% in Q3FY25.

We revise our FY26/27E EPS estimates by -13.6%/-14.8% factoring in possibility of intense Chinese dumping impacting revenue, and slower exports. We downgrade the rating to 'Accumulate' from 'Buy', with a revised TP of Rs1,890 (Rs Rs2,511 earlier). Grindwell Norton (GWN) reported a muted quarter with revenue growing by 6.5% YoY and EBITDA margin declining by 180bps to 17.6%. During 9MFY25, Abrasives segment revenue grew by 5.1% YoY to Rs10.4bn while EBIT margin dipped to 12.8% (vs 13.8% in 9MFY25). Growth in abrasives will be driven by demand for high-productivity solutions in steel and construction, opportunities in solar glass edge grinding, and the expansion of non-woven products into new market segments. Ceramics & Plastics revenue came in at Rs9.0bn for 9MFY25, up 8.6% YoY; however, segment margin declined by 295bps to 16.7% (vs 19.7% in 9MFY25). We expect margins to improve in this segment driven by better product mix and higher volume with recovery in export demand. Digital Services segment revenue came in at Rs1.4bn for 9MFY25, down 5.4% YoY with margin declining by 633bps to 27.6%.

Recent dumping of Chinese alternative products, ongoing global tariff changes and change of mix in industrial consumables demand will be key monitorable in the near future, however we believe GWN will likely see long-term profitable growth on the back of its 1) focus on technologically advanced niche/high performance products in performance plastics, 2) penetration in newer high growth markets, 3) attention on tapping new verticals in Ceramics & Refractories, 4) capacity expansion in coated abrasives, engineered ceramics and performance plastics, and 5) strong balance sheet, operating cash flows and return ratios (23.4% ROCE). The stock is trading at a P/E of 41.9x/35.4x on FY26/27E earnings. We value it at a P/E of 44x (55x earlier) and rolling it forward to Sep'26E revenue (FY26E earlier). Downgrade to 'Accumulate'.

Healthy growth in ceramic drive topline: Consolidated revenue rose 6.5% YoY to Rs7.0bn (PL: Rs7.2bn), led by growth in Ceramics & Plastics and Abrasives. Gross margin decreased by 193bps YoY to 54.1% (PL: 55.7%). EBITDA declined by 3.4% YoY to Rs1.2bn (PL: Rs1.4bn). EBITDA margin declined by 180bps YoY to 17.6% (PL: 18.8%) on the back of significant margin contraction in Ceramics & Plastics, Abrasives and Digital Services segments. Adj. PBT fell 5.2% YoY to Rs1.2bn (PL: Rs1.3bn). Adj. PAT fell 6.1% YoY to Rs868mn (PL: Rs943mn) due to weaker operating performance and high D&A expenses (+33.4% YoY to Rs235mn).

Margins declined across segments: Abrasives revenue came in at Rs3.4bn (up 4.2% YoY) while Ceramics & Plastics revenue was up by 12.4% YoY to Rs3.0bn. Digital Services revenue declined by 4.3% YoY to Rs450mn. Ceramics & Plastics segment EBIT margin saw a sharp decline of 390bps YoY to 15.8% while Abrasives segment margin came in at 11.8% (vs 13.3% in Q3FY24). Digital Services margin came in at 25.8% in Q3FY25, with a decline of 148bps YoY (vs 27.3% in Q3FY24).

Exhibit 1: Unfavorable mix drags margins; higher other income pushes PAT

Y/e March (Rs mn)	Q3FY25	Q3FY24	YoY gr.	Q3FY25E	% Var.	Q2FY25	QoQ gr.	9MFY25	9MFY24	YoY gr.
Revenue	7,026	6,599	6.5%	7,179	-2.1%	6,939	1.3%	21,021	19,957	5.3%
Gross Profit	3,801	3,698	2.8%	3,999	-4.9%	3,868	-1.7%	11,521	11,039	4.4%
Margin (%)	54.1	56.0	(193)	55.7	(160)	55.7	(164)	54.8	55.3	(51)
Employee Cost	823	782	5.1%	840	-2.1%	825	-0.3%	2,544	2,360	7.8%
as % of sales	11.7	11.9	(15)	11.7	1	11.9	(18)	12.1	11.8	28
Other expenditure	1,744	1,637	6.5%	1,809	-3.6%	1,750	-0.4%	5,119	4,735	8.1%
as % of sales	24.8	24.8	2	25.2	(38)	25.2	(40)	24.4	23.7	63
EBITDA	1,234	1,278	-3.4%	1,350	-8.5%	1,292	-4.5%	3,858	3,944	-2.2%
Margin (%)	17.6	19.4	(180)	18.8	(123)	18.6	(106)	18.4	19.8	(141)
Depreciation	235	176	33.4%	225	4.4%	228	3.0%	678	512	32.3%
EBIT	1,000	1,102	-9.3%	1,125	-11.1%	1,064	-6.1%	3,181	3,432	-7.3%
Margin (%)	14.2	16.7	(247)	15.7	(144)	15.3	(111)	15.1	17.2	(207)
Other Income	180	138	29.8%	170	5.6%	234	-23.3%	571	510	12.0%
Interest	21	19	9.3%	20	4.9%	23	-8.3%	68	59	16.3%
PBT (ex. Extra-ordinaries)	1,158	1,221	-5.2%	1,275	-9.1%	1,275	-9.2%	3,684	3,884	-5.1%
Margin (%)	16.5	18.5	(202)	17.8	(127)	18.4	(190)	17.5	19.5	(194)
Extraordinary Items	-	(4)	-	-	-	-	-	-	(4)	-
PBT	1,158	1,218	-4.9%	1,275	-9.1%	1,275	-9.2%	3,684	3,880	-5.1%
Total Tax	282	303	-7.0%	325	-13.3%	304	-7.3%	906	968	-6.3%
Effective Tax Rate (%)	24.3	24.9	(55)	25.5	(116)	23.9	49	24.6	24.9	(34)
PAT	876	915	-4.2%	950	-7.7%	971	-9.8%	2,777	2,912	-4.6%
Share of JV and Associates	3	6	-44.7%	(10)	-134.9%	(0)	-1262.0%	7	1	1097.7%
Minority interest	(11)	1	-	3	-	(9)	-	(22)	(2)	-
Reported PAT	868	922	-5.8%	943	-7.9%	962	-9.7%	2,762	2,910	-5.1%
Adj. PAT	868	924	-6.1%	943	-7.9%	962	-9.7%	2,762	2,913	-5.2%
Adj. EPS	7.8	8.3	-6.1%	8.5	-7.9%	8.7	-9.7%	25	26.3	-5.2%

Source: Company, PL

Exhibit 2: Decent growth in Ceramic & Plastics segment topline; but margin contraction among all segments

Segmental Performance	Q3FY25	Q3FY24	YoY gr.	Q3FY25E	% Var.	Q2FY25	QoQ gr.	9MFY25	9MFY24	YoY gr.
Revenue (Rs mn)										
Abrasives	3,412	3,273	4.2%	3,617	-5.7%	3,520	-3.1%	10,426	9,923	5.1%
Ceramics & Plastics	3,018	2,686	12.4%	2,955	2.1%	2,886	4.6%	8,963	8,254	8.6%
Digital Services	450	470	-4.3%	513	-12.2%	455	-1.0%	1,361	1,439	-5.4%
Others	173	204	-15.2%	204	-15.2%	127	35.9%	396	455	-12.9%
EBIT (Rs mn)										
Abrasives	404	435	-7.2%	488	-17.3%	453	-10.9%	1,331	1,369	-2.7%
Ceramics & Plastics	476	528	-9.9%	532	-10.5%	477	-0.2%	1,501	1,626	-7.7%
Digital Services	116	128	-9.5%	133	-12.8%	123	-5.4%	375	488	-23.0%
Others	42	39	9.5%	41	4.0%	19	127.8%	67	90	-25.4%
EBIT Margin (%)										
			bps		bps		bps			bps
Abrasives	11.8	13.3	(145)	13.5	(166)	12.9	(104)	12.8	13.8	(102)
Ceramics & Plastics	15.8	19.7	(390)	18.0	(223)	16.5	(76)	16.7	19.7	(295)
Digital Services	25.8	27.3	(148)	26.0	(20)	27.0	(119)	27.6	33.9	(633)
Others	24.5	19.0	554	20.0	453	14.6	990	16.9	19.8	(284)

Source: Company, PL

Financials

Income Statement (Rs m)

Y/e Mar	FY24	FY25E	FY26E	FY27E
Net Revenues	27,049	28,449	31,658	35,982
YoY gr. (%)	6.4	5.2	11.3	13.7
Cost of Goods Sold	12,066	12,916	14,214	16,156
Gross Profit	14,983	15,533	17,444	19,826
Margin (%)	55.4	54.6	55.1	55.1
Employee Cost	3,258	3,400	3,625	3,958
Other Expenses	6,349	6,890	7,820	8,823
EBITDA	5,376	5,243	5,999	7,045
YoY gr. (%)	7.6	(2.5)	14.4	17.4
Margin (%)	19.9	18.4	19.0	19.6
Depreciation and Amortization	709	905	986	1,041
EBIT	4,667	4,338	5,014	6,005
Margin (%)	17.3	15.2	15.8	16.7
Net Interest	78	85	35	36
Other Income	683	769	864	959
Profit Before Tax	5,269	5,022	5,843	6,928
Margin (%)	19.5	17.7	18.5	19.3
Total Tax	1,244	1,235	1,461	1,746
Effective tax rate (%)	23.6	24.6	25.0	25.2
Profit after tax	4,025	3,786	4,382	5,182
Minority interest	3	(4)	(4)	(5)
Share Profit from Associate	(4)	(19)	(22)	(26)
Adjusted PAT	4,020	3,771	4,365	5,161
YoY gr. (%)	11.1	(6.2)	15.7	18.2
Margin (%)	14.9	13.3	13.8	14.3
Extra Ord. Income / (Exp)	(3)	-	-	-
Reported PAT	4,018	3,771	4,365	5,161
YoY gr. (%)	11.0	(6.1)	15.7	18.2
Margin (%)	14.9	13.3	13.8	14.3
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	4,018	3,771	4,365	5,161
Equity Shares O/s (m)	111	111	111	111
EPS (Rs)	36.3	34.1	39.4	46.6

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY24	FY25E	FY26E	FY27E
Non-Current Assets				
Gross Block	10,554	11,754	13,054	14,454
Tangibles	10,554	11,754	13,054	14,454
Intangibles	-	-	-	-
Acc: Dep / Amortization	3,932	4,837	5,822	6,863
Tangibles	3,932	4,837	5,822	6,863
Intangibles	-	-	-	-
Net fixed assets	6,622	6,917	7,231	7,591
Tangibles	6,622	6,917	7,231	7,591
Intangibles	-	-	-	-
Capital Work In Progress	2,213	1,717	1,819	1,916
Goodwill	-	-	-	-
Non-Current Investments	2,790	2,935	3,249	4,033
Net Deferred tax assets	(221)	(221)	(221)	(221)
Other Non-Current Assets	338	541	602	684
Current Assets				
Investments	4,473	5,121	5,698	6,477
Inventories	4,876	5,144	5,638	6,408
Trade receivables	3,575	3,882	4,311	4,904
Cash & Bank Balance	2,130	2,285	2,488	2,676
Other Current Assets	449	541	602	684
Total Assets	27,696	29,321	31,903	35,673
Equity				
Equity Share Capital	554	554	554	554
Other Equity	19,999	21,888	24,367	27,346
Total Networkth	20,553	22,442	24,921	27,900
Non-Current Liabilities				
Long Term borrowings	605	605	605	605
Provisions	-	-	-	-
Other non current liabilities	-	-	-	-
Current Liabilities				
ST Debt / Current of LT Debt	221	221	221	221
Trade payables	3,624	3,118	3,296	3,746
Other current liabilities	2,358	2,603	2,533	2,879
Total Equity & Liabilities	27,696	29,321	31,903	35,673

Source: Company Data, PL Research

Cash Flow (Rs m)

Y/e Mar	FY24	FY25E	FY26E	FY27E
PBT	5,083	5,022	5,843	6,928
Add. Depreciation	709	905	986	1,041
Add. Interest	11	-	-	-
Less Financial Other Income	683	769	864	959
Add. Other	(426)	66	13	10
Op. profit before WC changes	5,378	5,993	6,842	7,979
Net Changes-WC	(324)	(1,139)	(1,006)	(824)
Direct tax	(1,374)	(1,235)	(1,461)	(1,746)
Net cash from Op. activities	3,679	3,619	4,375	5,409
Capital expenditures	(1,724)	(705)	(1,401)	(1,497)
Interest / Dividend Income	(432)	(792)	(851)	(1,506)
Others	339	-	-	-
Net Cash from Inv. activities	(1,817)	(1,497)	(2,252)	(3,002)
Issue of share cap. / premium	-	-	-	-
Debt changes	80	-	-	-
Dividend paid	(1,605)	(1,882)	(1,886)	(2,182)
Interest paid	(78)	(85)	(35)	(36)
Others	(146)	-	-	-
Net cash from Fin. activities	(1,749)	(1,968)	(1,920)	(2,218)
Net change in cash	114	155	203	188
Free Cash Flow	1,956	2,915	2,974	3,912

Source: Company Data, PL Research

Key Financial Metrics

Y/e Mar	FY24	FY25E	FY26E	FY27E
Per Share(Rs)				
EPS	36.3	34.1	39.4	46.6
CEPS	42.7	42.2	48.3	56.0
BVPS	185.6	202.7	225.1	252.0
FCF	17.7	26.3	26.9	35.3
DPS	17.0	17.0	19.7	23.3
Return Ratio(%)				
RoCE	23.4	19.4	20.5	22.0
ROIC	26.7	21.9	23.0	24.8
RoE	20.8	17.5	18.4	19.5
Balance Sheet				
Net Debt : Equity (x)	(0.3)	(0.3)	(0.3)	(0.3)
Net Working Capital (Days)	65	76	77	77
Valuation(x)				
PER	45.5	48.5	41.9	35.4
P/B	8.9	8.1	7.3	6.6
P/CEPS	38.7	39.1	34.2	29.5
EV/EBITDA	32.9	33.6	29.2	24.8
EV/Sales	6.5	6.2	5.5	4.8
Dividend Yield (%)	1.0	1.0	1.2	1.4

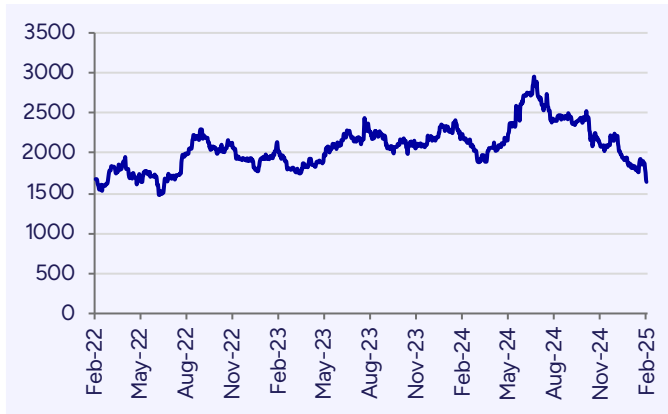
Source: Company Data, PL Research

Quarterly Financials (Rs m)

Y/e Mar	Q4FY24	Q1FY25	Q2FY25	Q3FY25
Net Revenue	6,911	7,056	6,939	7,026
YoY gr. (%)	4.0	5.6	4.0	6.5
Raw Material Expenses	3,149	3,204	3,071	3,225
Gross Profit	3,762	3,852	3,868	3,801
Margin (%)	54.4	54.6	55.7	54.1
EBITDA	1,250	1,331	1,292	1,234
YoY gr. (%)	(3.3)	(1.5)	(1.7)	(3.4)
Margin (%)	18.1	18.9	18.6	17.6
Depreciation / Depletion	197	214	228	235
EBIT	1,053	1,117	1,064	1,000
Margin (%)	15.2	15.8	15.3	14.2
Net Interest	19	25	23	21
Other Income	173	158	234	180
Profit before Tax	1,208	1,250	1,275	1,158
Margin (%)	17.5	17.7	18.4	16.5
Total Tax	276	320	304	282
Effective tax rate (%)	22.9	25.6	23.9	24.3
Profit after Tax	932	930	971	876
Minority interest	1	2	9	11
Share Profit from Associates	(5)	4	-	3
Adjusted PAT	926	932	962	868
YoY gr. (%)	(6.7)	(3.9)	(5.6)	(6.1)
Margin (%)	13.4	13.2	13.9	12.4
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	926	932	962	868
YoY gr. (%)	(6.7)	(3.9)	(5.6)	(6.1)
Margin (%)	13.4	13.2	13.9	12.4
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	926	932	962	868
Avg. Shares O/s (m)	111	111	111	111
EPS (Rs)	8.4	8.4	8.7	7.8

Source: Company Data, PL Research

Price Chart



Recommendation History

No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	09-Jan-25	BUY	2,511	1,850
2	31-Oct-24	BUY	2,528	2,151
3	07-Oct-24	Accumulate	2,749	2,441
4	18-Jul-24	Accumulate	2,749	2,650
5	08-Jul-24	Accumulate	2,737	2,850
6	03-Jun-24	Accumulate	2,749	2,576
7	07-May-24	Accumulate	2,512	2,196
8	12-Apr-24	Accumulate	2,512	2,075

Analyst Coverage Universe

Sr. No.	CompanyName	Rating	TP (Rs)	Share Price (Rs)
1	ABB India	Accumulate	8,133	6,657
2	Apar Industries	Accumulate	8,219	7,179
3	BEML	Accumulate	3,561	3,132
4	Bharat Electronics	BUY	340	279
5	BHEL	Accumulate	226	200
6	Carborundum Universal	Accumulate	1,583	1,245
7	Cummins India	BUY	3,723	2,870
8	Elgi Equipments	Accumulate	608	539
9	Engineers India	BUY	242	170
10	GE Vernova T&D India	Accumulate	1,950	1,710
11	Grindwell Norton	BUY	2,511	1,850
12	Harsha Engineers International	Accumulate	561	493
13	Hindustan Aeronautics	Accumulate	4,110	3,594
14	Ingersoll-Rand (India)	BUY	4,467	3,800
15	Kalpataru Projects International	Accumulate	1,306	1,245
16	KEC International	Accumulate	930	813
17	Kirloskar Pneumatic Company	BUY	1,564	1,013
18	Larsen & Toubro	BUY	4,025	3,421
19	Praj Industries	BUY	751	632
20	Siemens	Accumulate	5,902	5,199
21	Thermax	Accumulate	3,857	3,385
22	Triveni Turbine	BUY	800	634
23	Voltamp Transformers	BUY	11,437	8,358

PL's Recommendation Nomenclature (Absolute Performance)

Buy	: > 15%
Accumulate	: 5% to 15%
Hold	: +5% to -5%
Reduce	: -5% to -15%
Sell	: < -15%
Not Rated (NR)	: No specific call on the stock
Under Review (UR)	: Rating likely to change shortly

ANALYST CERTIFICATION

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